

SUBCOMMITTEE NO. 2

Agenda

S. Joseph Simitian, Chair
John Benoit
Alan Lowenthal



Day: Thursday March 26, 2009
Time: 9:30 am or upon adjournment of session
Room: Rose Ann Vuich Hearing Room (2040)

Consultant: Brian Annis

Transportation

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Note on the 2009-10 Budget Process: On February 19, 2009, the Legislature approved the 2009-10 Budget Act (SB 1XXX). However, certain items were withheld from the budget, without prejudice, pending a more thorough discussion in the budget subcommittees. Items withheld generally met one or more of the following criteria: (1) were rejected in a prior budget year; (2) have substantial policy implications – for example, information technology or the state's bond capacity; or (3) represent a new program or expansion. Additionally, there are numerous pieces of trailer bill language proposed by the Administration that were not adopted and that require further consideration. The issues in this agenda are these aforementioned issues along with other issues of interest to the Subcommittee.

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2720 California Highway Patrol

Background: The mission of the California Highway Patrol (CHP) is to ensure the safe and efficient flow of traffic on the state's highway system. The CHP also has responsibilities relating to vehicle theft prevention, commercial vehicle inspections, the safe transportation of hazardous materials, and protection and security for State employees and property.

Governor's Budget: The Governor proposes total expenditures of \$2.0 billion (no General Fund) and 11,095.9 positions, an increase of \$58 million and an increase of 179.1 positions.

Activity: (in millions):

Activity	2008-09	2009-10
Traffic Management	\$1,697	\$1,753
Regulation and Inspection	203	204
Vehicle Safety	46	46
Administration	334	340
TOTAL	\$1,946	\$2,004

Major Funding Sources (in millions):

Fund Source or Account	2008-09	2009-10
Motor Vehicle Account (MVA)	\$1,744	\$1,803
State Highway Account (SHA)	62	60
Reimbursements	116	116
Federal funds	18	18
Other special funds (no General Funds)	5	7
TOTAL	\$1,946	\$2,004

Adopted 2009-10 Framework Budget (SB 1XXX): In the adopted framework 2009-10 budget, the Legislature removed funding for the following items "without prejudice for further subcommittee discussion":

- New Computer Aided Dispatch (CAD) IT System (Budget Change Proposal (BCP) #4): \$11.9 million in 2009-10 and \$27.8 million total over three years.
- Capital outlay funding for new or reconfiguration of existing field-office facilities: \$13.4 million.

1. Enhanced Radio System (Ongoing communications project and required report – informational issue).

Background: The budget includes \$99.2 million for the 2009-10 cost of upgrading the CHP's public safety radio system. In 2006-07, the Legislature approved this five-year project that has total costs of about \$500 million. The project will enhance radio interoperability with other public safety agencies and provide additional radio channels for tactical and emergency operations. The project involves new radio transmission equipment at CHP facilities, remote towers, and CHP vehicles – it does not include the dispatch equipment which is the subject of a 2009-10 BCP. As part of project approval, the Legislature required annual project reporting for the life of the project - due annually each March 1.

Staff Comment: The CHP should update the Subcommittee on the radio project. The March 1 report was emailed to Committee staff on March 24. At the time this agenda was finalized, staff had not had sufficient time to adequately review the report.

Staff Recommendation: Direct staff to review the report received on March 24 and bring this issue back at a future hearing as warranted.

2. 9-1-1 Call Center Dispatchers (Informational issue).

Background: The CHP answers over 80 percent of the emergency 911 calls placed in the state by cell phones. The number of such calls has risen dramatically in the past decade and the CHP answered 9.7 million 911 calls in 2008. In 2006-07, the Administration requested authority to add 173 new positions to staff the 911 call centers – specifically, 156 Public Safety Dispatcher II positions and 17 Supervisor positions. This augmentation was approved, bringing the number of 911 dispatchers from 325 to 498. The total number of dispatchers in the field is 893 – this number includes both 911 and non-911 dispatchers. At the time the request was made, the Administration indicated a possibility that additional staffing would be required in the near future and that out-year budget requests would be submitted as warranted. However, no new 911-dispatcher budget requests have been submitted since 2006-07.

August 2004 State Auditor's Report: The State Auditor touched on 911 staffing in its report, *Wireless Enhanced 911: The State Has Successfully Begun Implementation, but Better Monitoring of Expenditures and Wireless 911 Wait Times is Needed*. The Auditor had the following findings related to the CHP:

- Wait times were high, in part, because dispatchers at CHP centers handled significantly more 911 calls per dispatcher than did local answering points we contacted.
- Unfilled dispatcher positions at CHP centers contributed not only to longer wait times but also to significant overtime costs for the CHP.
- The CHP does not expect the number of wireless 911 calls diverted to local answering points to exceed 20 percent statewide.

Current Statistics from the CHP: The CHP indicates that improvements have occurred since the 2004 Auditor's report. In February 2009, the vacancy rate was 11 percent for dispatchers; however, this represents significant improvement from the 17 percent vacancy rate in February 2008. For January 2009, the CHP reports that statewide 91.5 percent of calls were answered within 10 seconds, and 95.9 percent of calls were answered within 20 seconds. The general national targets are to answer 90 percent of calls within 10 seconds, and 95 percent of calls within 20 seconds. While the statewide average is good, 9 of the 24 communications centers fell below the target. *See Attachment I for additional statistics.*

Staff Comment: The CHP should update the Subcommittee on call response times, dispatcher vacancies, and implementation of employee furloughs. The CHP should indicate how they plan to address deficiencies in those 911 communications centers that are failing to meet response-time targets. Bringing the vacancy rate down to the budgeted 5 percent, should resolve some of the issues; however, the affect of the furloughs is uncertain.

Staff Recommendation: Informational issue – no action needed.

3. Computer Aided Dispatch (CAD) Replacement (BCP #4).

Background: The Administration requests \$11.9 million (Motor Vehicle Account) in 2009-10 and a total of \$27.8 million over three years to fund an information technology (IT) project to replace the CAD system. The CAD is a system containing servers and workstations used to dispatch emergency services (police, fire, ambulance) to calls from the public needing assistance. The existing CAD system dates back to 1990. The new CAD would also allow persons in a dispatch center to easily view and understand the status of all units being dispatched. Funding for this BCP was removed from the 2009 Budget Act without prejudice to allow further legislative review.

Detail: The CHP indicates that CAD replacement is necessary because the existing system is approaching 20 years and is too old to be dependable. Additionally, technology has improved in 20 years to provide new functionality that improves public safety. Specifically, the new system would have features such as Automated Vehicle Location (AVL) and Geospatial Information System (GIS) integrated into the CAD allowing the dispatcher to reduce response time by identifying the closest responder and tracking their movement to the location. The BCP notes that the IT solution would be a commercial off-the-shelf (COTS) product. This system will be fully compatible with the upgraded radio infrastructure outlined in a prior issue.

Staff Comment: The CHP should be prepared to present this proposal to the Subcommittee, with a focus on why it thinks this project is critical to move forward in this difficult budget environment.

Staff Recommendation: Approve this request.

4. Officer Staffing Augmentation (BCP #18).

Background: The Governor requests \$34.9 million (\$36.6 million ongoing) to add 165 uniformed positions, and 8 Automotive Technician positions in 2009-10 (an additional 75 uniformed positions would be added in 2010-11 for a total increase of 240 Patrol Officers). In 2006-07 and 2007-08, the Legislature approved a staffing increase of 471 positions (360 Officers, 32 uniformed managerial, and 79 non-uniformed support staff). Last year, the CHP requested another 120 Officer positions. An LAO analysis suggested the CHP would be unable to fill any of the positions in 2008-09 due to a high level of existing vacancies and constraints on the size of academy classes. The Legislature approved the 120 positions, but moved establishment to 2009-10 – these 120 positions are included in this year's BCP. Full funding for this year's BCP was included in the 2009 Budget Act (SB 1XXX).

Detail on past budget action: The need for additional CHP officers was discussed in several CHP reports and LAO analyses at the time the growth in staff began several years ago. Additional staffing was deemed particularly necessary in CHP divisions that had seen large increases in vehicle registrations and highway travel. One measure considered was the growth of vehicle collisions between 2000 and 2004. While various statistics indicated a need to grow the size of the CHP, the CHP budget requests have been made on a year-to-year basis and no overall plan was presented or approved by the Legislature. With past increases and staffing increases requested in this BCP, the number of field Officers would grow from 6,133 in 2006-07, to 6,493 in 2008-09, and to 6,733 in 2010-11. The CHP indicates it allocates new Officers in the field using the following considerations:

- Those commands experiencing the highest percentage of fatal collisions in recent years.
- Those commands requiring additional staff to operate on a 24/7 basis.
- Those commands located in regions experiencing the greatest percentage of growth in terms of population, registered vehicles, and registered drivers.

Detail on Traffic Safety: The following statistics are from the California Office of Traffic Safety:

- In 2006, 4,195 people died and 277,373 people were injured in California traffic collisions. This compares to 4,649 deaths (350,068 injuries) in 1991 and 3,730 deaths (303,023 injuries) in 2000.
- California's 2006 Mileage Death Rate (MDR) - fatalities per 100 million miles traveled (100 Million VMT) is 1.28, much lower than the national MDR of 1.41. Of the five largest states in terms of total traffic fatalities, (CA, FL, TX, GA, & NC), California has the lowest rate. This compares to a MDR of 1.8 in 1991 and 1.22 in 2000.

The statistics generally indicate that traffic safety improved throughout the 1990s, but that the trends started to reverse at the beginning of this decade. The CHP is one factor of many in reducing traffic deaths and injuries. Other factors to consider

are speed limits, vehicle collision-safety equipment (air bags), guard-rails and other roadside safety features, etc.

Detail on 2008-09 Fee Increase: Last year the Administration proposed, and the Legislature approved, an \$11 motor vehicle registration fee increase and a new late-payment penalty to fund the cost of CHP Officers and other needs. Existing law already included a \$10 fee for CHP Officers and this fee was increased to \$21 dollars. The penalties for late registration vary by lateness, but were essentially doubled. The fee/penalty increase was estimated to raise annual revenue by \$490 million. The Administration proposed the fee increases as necessary to fund the cost of Officers and related support, such as the new radio system. No out-year increase in the number of Officers was agreed to when the fee was approved.

LAO Recommendation: The Legislative Analyst recommends the Legislature maintain the 120 Officer positions previously approved for 2009-10 during last year's budget process, but reject the additional staff requested of 120 Officers and 8 Automotive Technicians. This would result in 480 new officers added since the staff growth began in 2006-07. The LAO notes two concerns: (1) the budget request does not account for staggered hiring over the fiscal year, and over-budgets 2009-10 cost by \$13 million; and (2) the additional 120 positions are not justified because they do not tie the augmentation to a level of service, such as Officers in proportion to licensed drivers. In total, the LAO recommends a reduction of \$22 million and new supplemental report language requiring the CHP to report by January 10, 2010, on the current baseline level of patrol services and the level of service it intends to achieve with recent and any future position requests.

Revised Administration Request: The Administration recalculated the budget request and indicates that it can be reduced by \$4.3 million in 2009-10 to better-account for the staggered hiring over the fiscal year.

Staff Calculation: Another technical budget issue, is that the request does not account for savings from base vacancies that continue in 2009-10. The CHP has reduced these base vacancies (fillable vacancies from base staffing) from 505 vacant positions in July 2008 – an average base vacancy number of 141.5 positions is projected in 2009-10. The academy classes incur higher cadet costs to fill base vacancies but there is still net savings. Savings of about \$7.6 million should occur from these base vacancies. Note, \$40 million was scored from base vacancies in 2008-09. The Administration's correction of \$4.3 million along with the staffing base vacancy calculation of \$7.6 million, sum to \$11.9 million – this is similar to the LAO technical adjustment.

Staff Comment: The issues for consideration with this request are: (1) whether the new growth of 120 CHP Officers should be approved this year (beyond the 480 new Officers approved in recent years), and (2) what funding level is technically appropriate for the number of positions approved by the Legislature.

Staff Recommendation: Keep open for further analysis.

5. Mobile Food Service (Staff Issue).

Background: Over the past decade, the CHP has added a mobile food service capability. This has been accomplished with redirected resources, so the Legislature has not reviewed this activity through the budget process. The CHP indicates that, in 2000, it added a mobile field kitchen to support departmental personnel during prolonged emergency incidents (such as the Bio-Tech conference, demonstrations, Democratic National Convention, State Capitol truck fire, etc.) throughout the state. However, this food service is limited and food is typically prepared at the CHP Academy and then transported to the field. The CHP indicates it is currently in the procurement process to expand its emergency food service abilities with the addition of a 36-foot mobile kitchen trailer capable of producing 1,000 meals per day. The CHP indicates this new kitchen trailer will cost \$280,000.

Alternatives for mobile food service: The CHP indicates that it only had a need for mobile food service once in 2007-08 – that was during the southern California fires. However, in that case, CHP officers were directed to find their own meals and were compensated through per diem, which the CHP indicates is \$34 per day – the total cost was \$80,000. Staff understands the Department of Forestry and Fire Protection also has emergency food service and generally purchases food from pre-approved local vendors. The CHP does not have an analysis to compare the cost of the mobile kitchen to local vendors or to per diem. The department indicates that the widespread nature of some emergencies, such as Hurricane Katrina, make it difficult to utilize per diem or bulk meal purchases from local vendors.

Staff Comment: The CHP should be prepared to discuss best-practices and cost efficiency for this function, and be prepared to answer the following questions:

- A. Does the added value of the mobile vehicle justify the \$280,000 cost relative to the other options of: (1) delivering prepared meals from the CHP academy; (2) bulk meal purchases from local vendors; or (3) per diem payments to individual officers?
- B. Since this equipment is infrequently used, can the cost and use be shared among several state emergency response agencies?

Staff Recommendation: This is an informational issue; however, if the Subcommittee does not feel this is an essential expenditure in this difficult budget year, the purchase could be deferred and the funding of \$280,000 reverted.

6. Construction or Renovation of State-owned Facilities (COBCPs #1, 2, 6, & 7).

Background: The Administration requests \$13.4 million (Motor Vehicle Account) in 2009-10 for four capital outlay projects for state-owned facilities. When future construction costs are added, the total costs for these projects, in 2009-10 through completion, is \$49.5 million. Funding for these COBCPs was removed from the 2009 Budget Act without prejudice to allow further legislative review.

Detail: According to the 2008 California Infrastructure Plan, the CHP occupies 102 area offices, 25 communications centers, 8 division offices, and 39 other facilities including the Sacramento headquarters and West Sacramento Academy. The Administration generally submits three budget requests over multiple years to complete a State-owned capital outlay facilities project. The first step is preliminary plans, the second step is working drawings, and the third step is construction. The four projects and phases are as follows:

- **Oakhurst Area Office – Replacement (Construction):** \$9.1 million is requested for 2009-10 to replace the Oakhurst Area Office. The Legislature previously approved about \$2.0 million for preliminary plans, working drawings, and site acquisition.
- **Oceanside Area Office – Replacement (Working Drawings):** \$1.2 million is requested for 2009-10 for a replacement facility in Oceanside. The Legislature previously approved about \$3.0 million for preliminary plans and site acquisition. The Administration will likely submit a BCP for 2010-11 requesting approximately \$18.6 million for construction.
- **Santa Fe Springs Area Office – Replacement (Working Drawings):** \$1.2 million is requested for reappropriation. The Legislature approved \$6.3 million for preliminary plans and land acquisition for this project in 2007-08. An additional \$17.5 million will be requested in the out-years to fund construction.
- **Bishop Area Office – Reconfiguration (Construction):** \$1.9 million is requested for 2009-10 to reconfigure the Bishop Area Office by expanding the CHP area into space formerly occupied by the Department of Motor Vehicles. The Legislature previously approved \$132,000 for preliminary plans and \$167,000 for working drawings.

Staff Comment: Given the number of aging facilities and growing number of CHP Officers, it is understandable that in any given year, the CHP has a number of facilities projects. The CHP is minimizing costs in some cases by reconfiguring existing facilities instead of building entirely new offices.

A concern this year is the overall economic and budgetary environment. The LAO and the Administration have previously identified approximately \$70 million per year in Motor Vehicle Account revenues that are not restricted by the Constitution and could be transferred to the General Fund. The budget package approved in February did not include this transfer. However, it is possible additional budget solutions may be necessary after the May Revision revenue forecast is released.

Staff Recommendation: Keep open pending May Revision revenue projections.

2740 Department of Motor Vehicles

Background: The Department of Motor Vehicles (DMV) regulates the issuance and retention of driver licenses and provides various revenue collection services. The DMV also issues licenses and regulates occupations and businesses related to the instruction of drivers, as well as the manufacture, transport, sale, and disposal of vehicles.

Governor's Budget: The Governor proposes total expenditures of \$963.0 million (no General Fund) and 8,493.1 positions, an increase of \$2.7 million and an increase of 217 positions.

Activity: (in millions):

Activity	2008-09	2009-10
Vehicle/vessel identification and compliance	\$547	\$536
Driver licensing and personal identification	246	258
Driver Safety	117	118
Occupational Lic. And Investigative Services	49	48
New Motor Vehicle Board	2	2
Administration (distributed)	(107)	(107)
TOTAL	\$960	\$963

Major Funding Sources (in millions):

Fund Source or Account	2008-09	2009-10
Motor Vehicle Account (MVA)	\$619	\$887
Motor Vehicle License Fee Account (MVLFA)*	268	0
Reimbursements	15	15
State Highway Account (SHA)	51	52
Federal funds	2	2
Other special funds (no General Funds)	5	7
TOTAL	\$960	\$963

* Proposal to shift MVLFA to local law enforcement was rejected, instead a new 0.15 VLF tax was approved.

Adopted 2009-10 Framework Budget (SB 1XXX): In the adopted framework 2009-10 budget, the Legislature removed funding for the following items "without prejudice for further subcommittee discussion":

- Driver License / Identification Card (DL/ID) Contract (Budget Change Proposal (BCP) #1): \$11.0 million and 16.0 positions in 2009-10 and \$8.1 million ongoing.
- Real ID Act Material Compliance (BCP #3): \$4.2 million and 45.1 positions in 2009-10 and \$3.7 million ongoing.
- Trailer bill language increasing DL and ID fees by \$3 to fund the above two items.
- Capital outlay funding for new or reconfiguration of existing field-office facilities: \$20.4 million.

1. General Background on Federal REAL ID Act.

Background: On May 11, 2005, President Bush signed H.R. 1268, which includes the Real ID Act of 2005. In 2006, the DMV estimated that implementation of Real ID would cost the State \$500 million to \$750 million. Final regulations from the federal government on the implementation of Real ID were released on January 11, 2008, and delayed full implementation of the Act. Last year, the DMV updated Subcommittee #4 on the final regulations and re-estimated costs over eight years to implement Real ID at \$143 million for “material compliance” and \$303 million for “full compliance.” The primary difference between material and full compliance is that with full compliance, DMV is fully integrated with new national “pointer” databases of birth records and DL/ID cards. DMV has previously testified that it does not have the authority to fully implement the Real ID Act without legislative approval and statutory change.

Detail on Prior State Action: In 2006-07 the Administration submitted, and the Legislature approved, \$18.8 million for information technology (IT) improvements and planning activities to improve DMV’s customer service and data collection – the Department indicated these IT projects were related to Real ID. The Legislature approved the funding and added budget bill language specifying that the funding did not implement Real ID for California, but rather improved efficiencies at the DMV to facilitate implementation at a later date, should enacting legislation be approved. In 2007-08, no budget changes were requested related to Real ID. In 2008-09, the Administration submitted a May Finance Letter requesting authority to spend \$6.5 million in federal grant funds related to Real ID that DMV had applied for. Since no implementing Real ID legislation had been proposed or approved, the request was denied. DMV ended up with a \$3.2 million federal grant (instead of the hoped-for \$6.5 million); however, the grant has multi-year availability and DMV now anticipates a 2010-11 budget request to spend the funds. This year, to date, the DMV has submitted two Budget Change Proposals fully or partially related to the implementation of Real ID, but has not forwarded to the Legislature any statutory change to implement the Act.

Final Federal Real ID Regulations: The final regulations differed in significant ways from the draft regulations. Most significantly, States have until 2017, instead of 2013, to implement the Real ID Act for all license and ID card holders. The final regulations allow states to apply to delay initiation of Real ID (i.e., begin the issuance of materially-compliant ID cards) from May 2008 to January 1, 2010 – DMV indicates it has already applied for, and received approval of, this extension. As a condition of receiving a second extension for “full compliance” to May 2011, States must show progress in working toward “material compliance.”

Material Compliance versus Full Compliance: The DMV indicates that it already meets several criteria of material compliance (such as capturing a digital picture and verifying legal presence in the United States through the Department of Homeland Security (DHS) database) but the department would additionally have to do the

following to meet all criteria for material compliance: require applicant documentation to establish residence address, marking materially compliant cards with a DHS-approved marking; issuing one-year limited-term DL/ID cards when the legal presence document says "Duration of Stay" or has no expiration date; and marking non-compliant cards. DMV believes they would be able to mark non-Real-ID-compliant cards as "California Compliant," but that that marking would have to be approved by the DHS. With budget requests in BCP #1 and BCP #3, the Administration proposes to meet most of the 18 components of material compliance by January 1, 2010. However, the following components would remain unmet under the current Administration proposal: (1) the card would not have the "Real ID compliant" marking and require an amendment to the DL/ID Card contract to mark the Real ID compliant card; (2) California has not made any commitment to Real ID full compliance at this time; and (3) Legislation is required to issue two cards: a CA-compliant card and a Real ID material compliant card.

To achieve full compliance by May 11, 2011, the DMV would have to participate in national electronic verification systems that do not currently exist (verification of other states' birth certificates, U.S. passports, and out-of-state DL/ID card verifications). Full compliance requires an existing cardholder to bring in proof of their true full name, legal presence, and two documents that establish their residence address. Other key points of full compliance that California is not currently meeting are: terming Senior Citizen ID Cards to expire in eight years instead of ten; re-verifying legal presence and Social Security Number when a card is renewed or reissued; preventing individuals from holding both a Real ID driver license and a Real ID identification card at the same time; and retaining copies of all source documents.

Appendix II and III to this agenda list all individual points of material and full compliance according to DMV's 2008 report to the Legislature.

Staff Comment: The DMV should share with the Subcommittee any recent activities at the federal level, and indicate the Administration's position on the implementation of Real ID, and when any related policy language will be proposed.

Staff Recommendation: Informational issue – no action required.

2. New Staff to achieve material compliance for REAL ID (BCP #3).

Background: The Governor requests \$4.2 million (Motor Vehicle Account) and 45.1 new positions to implement new driver license and identification (DL/ID) card issuance procedures that will bring DMV closer to material compliance with the Real ID Act by January 1, 2010. In 2010-11, and ongoing, the budget augmentation would decrease to \$3.7 million and the number of new positions would increase to a new total of 59.1 positions. Funding for this BCP was removed from the 2009 Budget Act without prejudice to allow further legislative review. An associated \$3 increase in DL/ID fees is discussed separately – see issue #4.

Detail: DMV proposes to begin requiring two documents to verify residential address at the time of an original application for a DL/ID card. DMV also indicates it will propose *policy* legislation to authorize the issuance of two card types, a Real ID compliant DL/ID card and a non-compliant (or “California Compliant”) DL/ID card. However, no legislation has been proposed to date. For renewals, DMV proposes to make compliance optional – customers could choose to either renew their cards under current requirements (non-compliant card), or resubmit birth/address/social security documents to obtain a compliant card. The majority of the new cost is for counter staff and related management to address the new workload; however, \$1.1 million of first-year funding is for media and security/privacy consulting.

LAO Recommendation: The Analyst indicates this budget request is premature because: (1) the State must obtain federal approval prior to beginning issuance of cards marked “Real ID Compliant” and that approval is unlikely to come before January 1, 2010; (2) a new Administration may choose to modify Real ID at the federal level; and (3) states are *not* required to begin issuing Real ID compliant cards by January 1, 2010, to receive a “full compliance” extension to May 11, 2011.

Staff Comment: One major trigger for a Real ID budget augmentation is a determination by the Legislature concerning the desirability of implementing Real ID in California. The LAO’s analysis suggest there is time for the Legislature to consider anticipated policy legislation from the Administration this year, and consider budget changes next year (for the 2010-11 fiscal year). The DMV indicates that if staff is not augmented per this BCP, they will not begin verifying residential addresses beginning January 1, 2010, and this would increase the risk that the Department of Homeland Security (DHS) would reject their request for a full-compliance extension to May 2011. Under this scenario, DHS might start barring Californians from boarding airplanes with a California DL/ID after January 1, 2010 (a person would have to have a passport to board a plane). This scenario seems unlikely because the national databases do not exist to achieve full compliance, nor will they by January 1, 2010. Additionally, DMV indicates they will not achieve other points of material compliance by January 1, 2010. Note, the Real ID regulations only require *progress toward* material compliance to receive the extension.

Staff Recommendation: Keep open for further review.

3. New DL/ID Card Contract (BCP #1).

Background: The Governor requests \$11.0 million (Motor Vehicle Account) and 16 new positions to implement a new information technology (IT) project to produce new driver license and identification (DL/ID) cards. The cost of this new IT contract is \$63 million over a five-year period. The Administration had submitted a Control Section 11.00 request on January 14, 2009, to sign the vendor contract in the 2008-09 fiscal year; however, the Joint Legislative Budget Committee (JBLC) rejected this request indicating that the budget subcommittee process will provide an opportunity for the department to provide a fuller explanation of, and justification for, its proposal, as well as give the Legislature an opportunity to weigh the proposed contract's costs and benefits and consider the policy implications of the proposed changes. Funding for this BCP was removed from the 2009 Budget Act without prejudice to allow further legislative review. An associated \$3 increase in DL/ID fees is discussed separately – see issue #4.

Detail on procurement: DMV's current card contract expires on June 30, 2009. The Department indicates it can extend this contract to June 30, 2010, but that the vendor is unwilling to extend the existing contract beyond June 30, 2010, due to aging equipment that is at risk of failure. DMV did complete the Request for Proposal (RFP) procurement process, and the winning bidder, a company called L1, is also the vendor for the existing contract.

Features of the proposed new card: The new contract would include the use of biometric technology as part of the card issuance process. Automated biometric matching is not part of the current DMV procedure and current-law related to DMV was written prior to the advent of this technology. The new card would additionally include the new "2-D bar code" encrypted technology required by the Real ID regulations. The 2-D bar code would not include any information not printed on the front of the card and not on the existing magnetic stripe. DMV indicates the proposed contract would not include "Real ID Compliant" markings, and that they would intend to proceed with a contract amendment if Real ID is implemented. The card would not use radio frequency (RFID) technology.

Existing Law concerning the privacy of DMV records: The DMV indicates it is directed by both the California Vehicle Code (Sections 1808 and 1810.5) and by the federal Driver's Privacy Protection Act of 1994 (18 U.S.C. Sec. 2721). Both laws restrict the use of driver records and data, but allow law enforcement use and other specified use by government agencies. The breadth of use by law enforcement is not specifically defined with regards to biometric technology; however, DMV indicates its current technology only allows a "one-to-one" match, such as requesting the fingerprint and picture of a single individual. It seems technically feasible that the bio-metric technology in the proposed contract could be adapted to allow a "one-to-many" search by law enforcement (i.e., a match of a suspect picture or fingerprint against the totality of DMV data). The DMV indicates that it is not their intent to

implement a one-to-many search for law enforcement, but existing statute does not appear directive on this point.

DMV's proposed use of automated biometric technology. The DMV believes the new biometric technology will help reduce fraud. When a person applies for a card, the new photo image of the applicant will be checked against all existing photo images (one-to-many) to help identify a person who fraudulently has cards under multiple names. The fingerprint would be checked against the file fingerprint (one-to-one) and also to track the individual across multiple stations at the DMV field office (i.e. that the person who submitted the paperwork is the same person who takes the new photo). The ability to use the photo biometric matching against the existing database is uncertain – DMV indicates the technology may only adequately function with higher-quality images that the new system would capture.

LAO Comment: The LAO indicates that the request is not fully justified, in part because the department was unable to provide key information on the specific cost and benefits related to the proposed use of biometrics.

Staff Comment: During the JLBC review of the Section 11.00 letter, concern was raised by privacy advocates over the use of biometric technology. In considering this budget request, the Subcommittee may want to review the specific benefit of adding biometrics to the DL/ID card contract – it is not required by Real ID. It does appear that DMV needs a new DL/ID card contract, because the existing contract would be on its third extension and the equipment is aging. However, the new contract and procedures should also be consistent with the priorities of the Legislature. The Legislature's options would include the following:

- A. Approve the funding and contract as proposed, take no further action.
- B. Approve the funding and contract as proposed, but amend statute related to privacy to specify allowable external use (outside of DMV) of the biometric matching technology.
- C. Adopt budget bill language or statutory change to prohibit biometric-matching technology as part of the DL/ID contract, and approve funding for the modified contract.

Staff Recommendation: Keep open for further review.

4. DL/ID fee increase for Card Contract & Real ID.

Background: The Governor requests a \$3 fee increase for DL/ID cards. This fee revenue would go to the Motor Vehicle Account to fund the costs associated with the proposed DL/ID contract (BCP #1) and Real ID staffing (BCP #3). DMV annually issues about 8.3 million cards, so the new fee would result in about \$25 million in annual revenue to fund the costs associated with the new card contract and Real ID. Trailer bill language to implement this fee increase was excluded from the adopted 2009 Budget Act package to allow further legislative review.

Staff Comment: The Legislature may want to conform action on the fee increase to the final action taken on BCPs #1 and #3. The card contract adds approximately \$1 to the current cost of the cards, and the remainder of the new revenue would be attributable to Real ID. While 2009-10 cost would fall below the new revenue, the Administration indicates ongoing cost pressure on the Motor Vehicle Account (MVA). The Administration wants the fee increase to deal with both 2009-10 costs and ongoing cost growth.

Staff Recommendation: Keep open for further review.

5. Overall IT Portfolio.

Background: The DMV has a challenging number of medium to large information technology (IT) projects that were approved for funding in prior years and are underway. There are eight projects either recently-completed or ongoing with a total budgeted cost of about \$350 million. The largest project is the IT Modernization project, which will incrementally upgrade the DMV core systems with new system hardware and software. DMV's core system is a 40-year old mainframe system and a replacement project failed in the 1990s with a sunk cost of approximately \$50 million. The LAO table below briefly summarizes the projects.

Department of Motor Vehicles (DMV)—Information Technology Projects

Project Description	
Recently Completed Projects	
Document Imaging and Storage Replacement	Replaced the document imaging, storage, and retrieval system with five digital scanners and related storage capacity.
Remittance System Replacement	Replaced all components of the system with new equipment and new system hardware and software.
Telephone Service Center Replacement	Replaced the nine independent telephone systems in use in the Telephone Service Centers with a single virtual system.
Continuing Projects	
Information Technology Modernization	Will incrementally upgrade the DMV core systems with new equipment and new system hardware and software.
Financial Responsibility	Will develop an in-house system to track vehicle compliance with insurance requirements, and suspend vehicle registrations for lack of compliance.
Real ID ^a	Will expand DMV's driver license and identification card system name fields to improve security and enhance Web site to enable customers to conduct more business transactions online.
International Registration Plan (IRP) System Replacement	Will replace existing obsolete computer system for processing commercial vehicle registration and electronic payment and distribution of commercial vehicle registration fees among IRP member jurisdictions.
Driver License/Identification/Salesperson Contract	Will select a vendor to continue driver license, identification, and salesperson card issuance, including the addition of various security components.

^a This project does not implement the federal Real ID Act. It is comprised of two projects—the Expanded Name Field and Web site Infrastructure System projects—that would make it easier for California to comply with the act.

As indicated on the prior table, DMV has completed three of the projects. While the projects were delayed up to 10 months in completion, they were all successfully completed with an overall cost savings relative to initial estimates. The LAO table below indicates original and revised costs for all eight projects, as well as schedule slippage.

Department of Motor Vehicles' Information Technology Projects: Changes in Cost and Schedule

(Dollars in Millions)

	Project Cost Estimates				
	Original Cost	Revised Cost	Change		Delay in Completion
			Actual	Percent	
Completed					
Document Imaging and Storage Replacement	\$6	\$4	-\$2	-29%	5 months
Remittance System Replacement	8	7	-2	-20	10 months
Telephone Service Center Replacement	19	22	3	16	8 months
Continuing					
Information Technology Modernization ^a	\$242	\$208	-\$34	-14%	None
Financial Responsibility	19	19	—	—	None
Real ID	35	43	8	23	28 months
International Registration Plan System Replacement	8	11	3	32	16 months
Driver License/Identification/Salesperson Contract	11	34	23	198	19 months

^a While the completion date for this project has not been officially changed, recent reports indicate the project is currently about six months behind schedule.

LAO Comment: The LAO indicates that while the department has experienced some delays and cost variations, the department has done a relatively good job in implementing its IT projects. The projects are still within the total amount appropriated by the Legislature. Moreover, at the time this analysis was prepared, none of the projects appeared to be at risk of failure. Nonetheless, given the number of continuing projects, and the fact that the most costly project (ITM) is still several years from completion, it is important that the department use all available tools to assure these projects stay on schedule and budget. Accordingly, we *recommend the department report at budget hearings on actions it is taking to address LAO concerns.* In particular, the department should report on: (1) the steps it is taking to manage its staff resources so that different projects within DMV are not competing for staff resources, (2) any recent or planned changes in its IT management approach to encourage better planning and coordination of IT projects among affected programs, (3) its use of oversight consultants and potential improvements in this regard that could achieve better IT project outcomes, and (4) efforts it will make to encourage staff to use the enterprise tools developed by the Enterprise Wide Oversight Consultant (EWOC) to improve project oversight.

Staff Comment: While the state has had several expensive IT failures – the most recent being the 21st Century Project at the State Controller’s Office, the DMV should be congratulated for recently completing three IT projects. Going forward, the DMV’s IT Modernization project is still a high-cost, high-risk project. The DMV should be prepared to update the Subcommittee specifically on the IT Modernization project, and more generally on the other projects and the issues raised by the LAO (see underlined questions on prior page). Note, the Governor is also proposing a major IT reorganization centered at the Office of the Chief Information Officer, overall IT management is reviewed by Budget Subcommittee #4.

Past budget bill language requires the DMV to submit an annual report to the Legislature by December 31 on the status of the IT Modernization project – this report was provided on March 20th. The report states the project is progressing on schedule and under budget and the scope has remained unchanged.

Staff Recommendation: Informational issue – no action necessary.

6. Construction or Renovation of State-owned Facilities (BCP #2).

Background: The Administration requests \$21.6 million (special funds) in 2009-10 for eight capital outlay projects for state-owned facilities. When future construction costs are added, the total costs for these projects, in 2009-10 through completion, is \$62.6 million. Funding for this BCP was removed from the 2009 Budget Act without prejudice to allow further legislative review.

Detail: According to the 2008 California Infrastructure Plan, DMV occupies 98 state-owned facilities, 117 leased facilities, and shares an additional 12 facilities with other state agencies. The Administration generally submits three budget requests over multiple years to complete a State-owned capital outlay facilities project. The first step is preliminary plans, the second step is working drawings, and the third step is construction. The eight projects and phases are as follows:

- **Oakland Field Office Reconfiguration (Working Drawings and Construction):** \$155,000 is requested for working drawings and \$2.1 million is requested for construction – both in 2009-10. The Legislature previously approved \$145,000 for preliminary plans. This project is related to a 2008-09 BCP in order to consolidate the Oakland telephone service center into a new Central Valley facility. With the space opened up in the existing Oakland facility, the DMV would then reconfigure the second floor of the existing Oakland field office to house a DMV Business Service Center.
- **Fresno DMV Field Office Replacement Project (Working Drawings) –** \$1.1 million is requested for working drawings. The Legislature previously approved \$912,000 for preliminary plans. An additional \$18.9 million will be requested in the out-years to fund construction. This project will replace the existing facility at 655 West Olive Avenue that is 46 years old and is deficient in size and does not comply with current safety and accessibility codes. The DMV intends to meet a Leadership in Energy & Environmental Design (LEED) silver certification.
- **Stockton Field Office Reconfiguration (Construction Phase):** \$2.9 million is requested for 2009-10. The Legislature previously approved \$309,000 for preliminary plans and \$310,000 for working drawings. Separately, a new Stockton field office is being constructed, and this BCP converts the existing facility (at 710 North American Street) into a stand-alone driver-safety office.
- **Victorville Field Office Reconfiguration (Construction Phase):** \$3.4 million is requested for 2009-10. The Legislature previously approved \$331,000 for preliminary plans and \$308,000 for working drawings. DMV proposes to address physical infrastructure deficiencies by adding additional production terminals and expanding parking capacity.
- **San Bernardino Field Office Reconfiguration (Construction Phase):** \$2.1 million is requested for 2009-10. The Legislature previously approved \$217,000 for preliminary plans and \$198,000 for working drawings. This project would add capacity to the existing office by shifting the current dealer vehicle

registration workload to leased space and adding additional production terminals and lobby space.

- **Redding Field Office Reconfiguration (Construction Phase):** \$3.0 million is requested for 2009-10. The Legislature previously approved \$258,000 for preliminary plans and \$239,000 for working drawings. This project would add capacity to the existing office by adding additional production terminals and lobby space.
- **Fontana DMV Field Office Replacement Project (Site Acquisition and Preliminary Plans)** – \$4.0 million is requested for site acquisition and preliminary plans. Future out-year budget requests are anticipated at \$756,000 for working drawings and \$12.4 million for construction. This project will replace the existing facility in Fontana with a new building more than twice the size. The existing facility would later be converted into a DMV Business Service Center. The DMV intends to meet a Leadership in Energy & Environmental Design (LEED) silver certification.
- **Roseville DMV Field Office Replacement Project (Site Acquisition and Preliminary Plans)** – \$2.7 million is requested for site acquisition and preliminary plans. Future out-year budget requests are anticipated at \$536,000 for working drawings and \$8.5 million for construction. This project will replace the existing facility in Roseville with a new building more than twice the size. The DMV intends to meet a Leadership in Energy & Environmental Design (LEED) silver certification.

Staff Comment: Given the number of aging facilities and growing state population, it is understandable that in any given year, the DMV has a number of facilities projects. The DMV is minimizing costs in many cases by reconfiguring existing facilities instead of building entirely new offices.

A concern this year is the overall economic and budgetary environment. The LAO and the Administration have previously identified approximately \$70 million per year in Motor Vehicle Account revenues that are not restricted by the Constitution and could be transferred to the General Fund. The budget package approved in February did not include this transfer. However, it is possible additional budget solutions may be necessary after the May Revision revenue forecast is released.

Staff Recommendation: Keep open pending May Revision revenue projections.

Appendix I – CHP 911 Dispatch Statistics

[illegible]

Appendix II – DMV Assessment of Material Compliance with Real ID

Requirements to Meet Material Compliance

#	Section	Requirement	Comments
1	§ 37.11(a)	Subject each applicant to a mandatory facial image capture and retain such image even if a driver license (DL) or identification card (ID) is not issued.	Currently in compliance.
2	§ 37.11(b)	Have each applicant sign a declaration under penalty of perjury that the information presented is true and correct, and the State must retain this declaration.	Currently in compliance for original and in-person renewals. Requires change of procedures for Internet and renewal by mail customers.
3	§ 37.11(c)(1)	Require an individual to present at least one of the source documents listed in subsections (i) through (x) when establishing identity.	Currently in compliance.
4	§ 37.11(d)-(g)	Require documentation of: <ul style="list-style-type: none"> • Date of birth • Social Security Number • Address of principle residence • Evidence of lawful status 	Requires change of procedure. Requires applicants provide proof of the SSN and residence address.
5	§ 37.11(h)	Have a documented exceptions process that meets the requirements established in 37.11(h)(1)-(3) (if states choose to have such a process).	Requires change of procedure. New procedures will require a documented exception process.
6	§ 37.13	Make reasonable efforts to ensure that the applicant does not have more than one DL or ID already issued by that state under a different identity	Currently in compliance.
7	§ 37.13(b)(1)	Verify lawful status through SAVE or another method approved by DHS.	Currently in compliance.
8	§ 37.13(b)(2)	Verify social security numbers with the Social Security Administration or another method approved by DHS.	Currently in compliance.
9	§ 37.15(b)	Issue DL/ID cards that contain level 1, 2 and 3 integrated security features.	Currently in compliance.

#	Section	Requirement	Comments
10	§37.17(a)-(l)	Surface of cards include the following printed information in Latin alpha-numeric characters: <ul style="list-style-type: none"> • Full legal name • Date of birth • Gender • Unique DL/ID number • Full facial digital photograph • Address of principal residence [with exceptions] • Signature [with exceptions] • Date of transaction • Expiration date • State or territory of issuance 	Currently in compliance.
11	§ 37.17 (n)	Commit to marking fully compliant DL and IDs with a DHS-approved security marking.	Requires change of procedure. Requires inclusion of a new security feature on the DL/ID card. Requires change in DL/ID card contract.
12	§ 37.21	Issue temporary or limited-term DL/ID cards to all individuals with temporary lawful status and tie license validity to the end of lawful status.	Currently in compliance with original applicants, with an expiration date on the DHS document. Requires change of procedure to include all applicants without permanent legal presence status.
13	37.41	Have a documented security plan for DMV operations in accordance with the requirements set forth in § 37.41.	Requires change of procedure.
14	§ 37.41(b)(2)	Have protections in place to ensure the security of personally identifiable information.	Requires legislation.

#	Section	Requirement	Comments
15	§ 37.41 (b) (5) (i)-(ii)	Require all employees handling source documents or issuing DL or IDs to attend and complete the AAMVA approved (or equivalent) fraudulent document recognition training and security awareness training.	Currently in compliance.
16	§ 37.45	Conduct name-based and fingerprint-based criminal history and employment eligibility checks on employees in covered positions or an alternative procedure approved by DHS.	Requires legislation. Current law includes a grandfather clause for existing employees.
17	§ 37.51 (b)	Commit to be in full compliance with Subparts A through D on or before May 11, 2011.	Requires legislation.
18	§37.71(a)(1)	Clearly state on the face of non-compliant DL or ID cards that the card is not acceptable for official purposes, except for licenses renewed or reissued under § 37.27.	Requires legislation.

Appendix III – DMV Assessment of Full Compliance with Real ID

Remaining Requirements to Meet Full Compliance

#	Section	Requirement	Comments
19	§ 37.05(a)	Issue REAL ID DL/ID cards valid for a period not to exceed eight years.	Requires legislation. Requires a change on Senior Identification card terms from ten years to eight years.
20	§ 37.11(i)	Take sufficient steps in issuing REAL ID DL/ID cards to safeguard the identities of persons identified in section 37.11(i).	Currently in compliance.
21	§ 37.13(b)(3)	Verify birth certificates.	Requires change of procedure. Requires use of EVVE System for electronic verification.
22	§ 37.13(b)	Verify a U.S. passport, Consular Report of Birth Abroad, and U.S. Visa with accompanying valid I-94.	Currently in compliance for I-94 cards. Requires use of new or enhanced electronic verification system.
23	§ 37.13(b)(5)	Verify REAL ID DL/ID cards with the state of issuance.	Requires change of procedure. Requires the use of the National Pointer System for electronic verification; this system does not exist today.
24	§ 37.15(a)(1)	Include document security features on REAL ID DL/ID cards that are not capable of being reproduced using technologies that are commonly used and made available to the general public.	Currently in compliance.
25	§ 37.15(d)	Conduct a review and submit a report to DHS on card design and the ability of the card to resist forgery and counterfeiting.	Requires change of procedure.

#	Section	Requirement	Comments
26	§ 37.19 (a)-(j) § 37.21(c)	Include all of the information on the face of the card in the PDF-417 (2D bar code) Machine Readable Zone of the card and, in addition, the: <ul style="list-style-type: none"> • Card design revision date • Inventory control number • Indication that license is temporary or limited-term 	Requires a change of procedure. Requires new data fields to be stored.
27	§ 37.21	Prior to renewing temporary or limited-term driver license or identification cards, require applicants to: <ul style="list-style-type: none"> • Present valid documentary evidence that their qualification is still in effect or that they have qualified for another lawful status; and • Verify information presented through SAVE, or another method approved by DHS 	Currently in compliance.
28	§ 37.23(a)	Have a procedure in place to verify an applicant's identity each time a REAL ID DL/ID card is reissued.	Currently in compliance.
29	§ 37.23(b)	Conduct remote re-issuance, if permitted, in accordance with section 37.13 verification procedures (excluding re-issuance of duplicate cards).	Currently in compliance.
30	§ 37.23(c)	Require in-person re-issuance when there is any material change in personally identifiable information since the prior card issuance, as defined in § 37.03. Such information shall be verified as specified in 37.13.	Currently in compliance.
31	§37.25(a)(1)-(3)	Prior to renewing a REAL ID DL/ID: <ul style="list-style-type: none"> • Take an updated photograph of all holder's of REAL ID drivers license and identification cards no less frequently than every 16 years. • Re-verify an applicant's SSN and lawful status, as well as any information that was unverifiable at previous card issuances or renewals because systems or processes did not exist. 	Currently in compliance with new photo every 16 years. Requires change in procedure to reverify customer information using SSOLV and SAVE.

#	Section	Requirement	Comments
32	§37.25(b)(1)-(2)	If remote REAL ID renewals are permitted: <ul style="list-style-type: none"> • Re-verify the applicants information through SAVE and SSOLV (or other methods approved by DHS) • Prohibit the remote renewal of REAL ID DL/ID when there is a material change in personally identifiable information, as defined in §37.03. 	Requires change of procedure.
33	§ 37.29	Not permit an individual to hold more than one REAL ID document, and no more than one DL: <ul style="list-style-type: none"> • Prior to issuing a REAL ID driver license, query other states to determine if applicant has been issued a driver license or REAL ID identification card; confirm that the other card has been, or is being, terminated. • Prior to issuing a REAL ID identification card, query other states to determine if applicant has already been issued a REAL ID DL/ID; confirm that the other card has been, or is being, terminated. 	Requires legislation.
34	§37.31(a)(1)-(3)	Retain copies of the application, declaration and source documents. Paper copies and microfiche must be retained for seven years. Digital images must be retained for a minimum of ten years.	Requires change of procedure.
35	§37.31(b)(1)-(3)	If digital imaging is used to retain source documents: <ul style="list-style-type: none"> • Store photo images in a JPEG compatible format. • Store document and signature images that are compressed in TIF or comparable standard. • Require that all images are retrievable by the DMV if properly requested by law enforcement. 	Requires change of procedure.
36	§ 37.33(a)-(b)	Maintain a DMV database containing, at a minimum, items identified in 37.33(a)(1)-(4).	Requires change of procedure. Requires new data fields to be stored on driver records and DL/ID cards.

#	Section	Requirement	Comments
37	§ 37.41 (b)(4)	Implement documented procedures for controlling access to facilities and systems involved in the enrollment, manufacture, production and issuance of DL/ID cards	Currently in compliance.
38	§ 37.43	Ensure the physical security of locations where driver licenses and identification cards are manufactured or produced, and the security of document materials and papers of which such cards are produced.	Currently in compliance.
39	§ 37.55	Submit final certification package to include: <ul style="list-style-type: none"> • Full compliance certification checklist. • Attorney General letter. • Certification by highest level executive official in state overseeing DMV. • Description of states exceptions process per §37.11(h), waiver process (per §37.45(b)(1)(v)). • State security plan (per §37.41). 	Requires change of procedure.